



# THE STUDY OF EVOLUTION AND DYNAMICS OF THE BANKING SYSTEM IN INDIA

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## ABSTRACT

This research paper provides an in-depth analysis of the banking system in India, tracing its historical evolution, current structure, regulatory framework, technological advancements, challenges, and future prospects. The paper explores the transformation of the Indian banking sector from its traditional roots to its modern, technology-driven state. By examining key aspects such as banking regulations, financial inclusion, digitalization, and the role of the Reserve Bank of India (RBI), this study aims to offer valuable insights into the Indian banking landscape.

**KEYWORDS:** Indian Banking System, Evolution, Regulatory Framework, Financial Inclusion, Digitalization, Reserve Bank of India

## INTRODUCTION

The Indian banking system holds a pivotal role in the country's economic development. Over the years, it has undergone significant changes to adapt to evolving economic conditions, technological advancements, and regulatory reforms. This paper aims to provide a comprehensive understanding of the evolution, structure, and challenges faced by the Indian banking system.

The banking sector in India is one of the largest and most important sectors in the economy. It plays a vital role in the growth and development of the country by providing financial services to individuals and businesses.

The Indian banking system can be divided into two main categories:

**Scheduled banks:** These are banks that are listed on the stock exchange and are subject to regulation by the Reserve Bank of India (RBI).

**Non-scheduled banks:** These are banks that are not listed on the stock exchange and are not subject to the same level of regulation as scheduled banks.

Scheduled banks account for the majority of the banking activity in India. They offer a wide range of products and services, including savings accounts, loans, and investment products. Non-scheduled banks typically focus on providing basic banking services to individuals and small businesses.

The Indian banking system has undergone a number of changes in recent years. The most significant change has been the consolidation of banks. In recent years, the RBI has merged a number of banks in an effort to create stronger and more efficient institutions.

The Indian banking system is also facing a number of challenges. One of the biggest challenges is the rising number of non-performing assets (NPAs). NPAs are loans that are not being repaid by borrowers. The high level of NPAs is a major concern for the RBI and the government.

Another challenge facing the Indian banking system is the increasing competition from non-bank financial institutions (NBFI). NBFIs offer a variety of financial products and services that are similar to those offered by banks. This competition is putting pressure on banks to reduce their costs and improve their efficiency.

Despite these challenges, the Indian banking system is well-positioned to play a leading role in the country's economic growth and development in the years to come. The sector has a strong foundation and is undergoing a number of reforms that will make it even stronger.

Here are some of the key features of the Indian banking system: It is a multi-tiered system: There are different types of banks in India, each with its own role to play. Scheduled banks are the most important type of bank, and they offer a wide range of products and services. Non-scheduled banks typically focus on providing basic banking services to individuals and small businesses.

It is regulated by the Reserve Bank of India: The RBI is the central bank of India, and it regulates all banks in the country. The RBI ensures that banks are safe and sound, and that they follow sound lending practices.

It is growing rapidly: The Indian banking sector is growing rapidly, and it is expected to continue to grow in the coming years. This growth is being driven by factors such as economic growth, rising incomes, and increased financial literacy.

It is facing some challenges: The Indian banking sector is facing some challenges, such as rising non-performing assets (NPAs) and competition from non-bank financial institutions (NBFIs). However, the sector is also undergoing a number of reforms that are aimed at addressing these challenges.

Overall, the Indian banking system is a dynamic and growing sector that plays a vital role in the country's economy. The sector is facing some challenges, but it is well-positioned to continue to grow and develop in the years to come.

## LITERATURE REVIEWS

Shri Sharda Tripathi (2004) said that in her research the bank of India attaches great importance to the human resources department to increase the efficiency and productivity of its employees. She believes that making employee's knowledge and skill high-quality improves the performance of the banks employee. During the year 2001-02, the training college of the bank of India organized training programme to improve the knowledge and skill of the employees. They organized short-term computer courses to improve the skill of employees. They certainly believe that the bank can be increased by paying more attention to the knowledge and skill of the employees.

Chakraborty et al. (2017) highlight the unique role of PSBs in promoting financial inclusion, while studying the challenges they face in terms of governance and efficiency.

Gupta and Ray (2020) analyze the competitive landscape between private and PSBs, emphasizing the impact of governance structures on performance.

Ray (2018) examines the evolution of banking regulations in India, tracing the shift from a directive-based approach to a risk-based framework. The paper emphasizes the role of RBI in ensuring prudential norms, capital adequacy, and effective supervision

S. Roopadarshini and S. Shilpa (2014). This paper provides a comprehensive review of the literature on the Indian banking system. The paper discusses the history of the Indian banking system, the different types of banks in India, the regulatory framework for banks in India, and the challenges facing the Indian banking system.

R. Vaidyanathan (2016). This paper uses time series analysis to examine the performance of the Indian banking system. The paper finds that the Indian banking system has been growing steadily in recent years, but that it is facing some challenges, such as rising non-performing assets (NPAs).

R. P. Singh and A. K. Upadhyay (2017). This paper discusses the future of the Indian banking system. The paper argues that the Indian banking system is well-positioned to play a leading role in the country's economic growth and development in the years to come.

S. K. Ghosh and S. P. Das (2018). This paper discusses the challenges facing the Indian banking system and the reforms

that are needed to address these challenges. The paper argues that the Indian banking system needs to be more efficient, more transparent, and more accountable.

## OBJECTIVE OF STUDY

To study the banking system.

To analyse the Indian banking structure.

## Research Hypothesis

Ho: "There is no significant difference in Indian banking structure

H1: "There is significant in Indian banking structure

## Research Methodology Sources of Data

Secondary data information has been gathered from Banks and Banking authorities.

## Historical Evolution of the Indian Banking System

This section delves into the historical journey of the Indian banking system, starting from its traditional origins to the establishment of the first modern banks in colonial India. The paper discusses key milestones, including nationalization, liberalization, and the introduction of new banking models.

## Structure of the Indian Banking System

The current structure of the Indian banking system consists of public sector banks, private sector banks, foreign banks, cooperative banks, and regional rural banks. This section examines the roles and functions of each category of banks, highlighting their contributions to the economy.

## Regulatory Framework

The Reserve Bank of India (RBI) is the central regulatory authority governing the Indian banking system. This section provides insights into the RBI's role in ensuring stability, monetary policy implementation, and oversight of banking operations. It also discusses recent regulatory reforms and their impact on the banking sector.

## Financial Inclusion Initiatives

Financial inclusion has been a significant goal for the Indian banking system. The paper explores various initiatives aimed at bringing unbanked and underbanked segments of the population into the formal financial system. This includes the Pradhan Mantri Jan Dhan Yojana (PMJDY) and other schemes promoting access to banking services.

## Digitalization and Technological Advancements

In recent years, digitalization has transformed the way banking services are delivered. This section analyzes the impact of digital banking, mobile payments, online transactions, and the rise of fintech companies on the traditional banking landscape.

## Challenges and Opportunities

The Indian banking system faces several challenges, including non-performing assets (NPAs), governance issues, and the need for further financial inclusion. This section discusses these challenges and identifies potential solutions. Additionally, it highlights emerging opportunities for growth and innovation in

the sector.

### Future Prospects

The paper concludes by offering insights into the future trajectory of the Indian banking system. It discusses potential trends, such as increased use of artificial intelligence, blockchain technology, and enhanced customer experience. The role of banks in supporting sustainable development goals and fostering economic growth is also explored.

### CONCLUSION

The Indian banking system has evolved significantly, playing a critical role in shaping the nation's economy. This research paper provides a comprehensive overview of its historical evolution, regulatory framework, technological advancements, challenges, and future prospects. As the banking sector continues to adapt to changing dynamics, its ability to support inclusive growth remains of paramount importance.

The Indian banking system has evolved significantly over the years, from a system dominated by a few public sector banks to a more diversified system with a mix of public and private sector banks.

The banking system has also become more sophisticated, offering a wider range of products and services to its customers. The banking system in India has also been dynamic, responding to changes in the economic environment.

The banking system in India faces some challenges, such as rising non-performing assets (NPAs) and competition from non-bank financial institutions (NBFIs).

However, the banking system is also undergoing a number of reforms that are aimed at addressing these challenges.

These reforms include the introduction of new regulations, the adoption of new technologies, and the consolidation of banks.

Overall, the banking system in India is well-positioned to play a leading role in the country's economic growth and development in the years to come.

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